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1. The Production-Planning Department (Planovo-proizvodstvennyy otdel) is subordinate to the Chief Directorate of Maritime Construction (GlavMorStroy) under the Ministry of the Merchant Fleet. The department consists of the following personnel:

Chief	1
Senior Engineers	3
Engineers	6
Technicians	3
Senior Economists	3
Total	<u>16</u>

2. The Production-Planning Department has among its tasks the supervision of financial transactions of the construction organizations.

(a) This department organizes production-planning for peripheral construction activities. Each construction organization has its production assignment, or, as it is called in organizational terminology, its ob'ekt. The extent of this assignment is determined in rubles by the so-called estimated cost of the construction of repair ob'ekt. All costs which are not directly involved in the construction work are considered to be overhead. The overhead costs comprise about 150 to 200% of the cost of manpower and materials used in the construction work. For example, the cost of manpower of an ob'ekt is 500,000 rubles, the cost of materials is 1,000,000 rubles. The overhead at 200% is then

200% (500,000 @ 1,000,000) = 3,000,000 thus

500,000 rubles for manpower
1,000,000 rubles for materials
<u>3,000,000 rubles for overhead</u>
4,500,000 total cost of the ob'ekt in rubles

It must be borne in mind that the overhead costs include several items.

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- (1) Salaries of all persons not physically working on the ob'ekt, such as administrative personnel, transportation workers, office help, and planning and design people. All of those people not contributing to actual productive output constitute about 75% of the cost of materials and manpower engaged in the actual work on the ob'ekt.
- (2) The costs of the consumption of fuel, electric power, lubricating and cleaning materials, etc. This includes not only the costs for operating equipment actually used on the ob'ekt, but also for buildings and other non-productive activities. These items comprise about 15 to 20% of the costs of materials and manpower actually being expended on the ob'ekt.
- (3) The amortization of all equipment and buildings are included in the costs of overhead. Usually the period of amortization is about six or seven years so that the rate is around 15% of the cost of the building. This amortization includes all items, both on and off of the job so that these costs are about 15 to 20% of the actual funds for materials and manpower of the ob'ekt.
- (4) Services of outside organizations vary greatly with each particular ob'ekt so that a percentage is difficult to set. These services are usually largely composed of charges for transportation and stevedoring. When sub-contracting is done it is included in the over-all cost of the ob'ekt. This cost is set strictly on the value of the work produced so that the overhead costs will fall on the subcontractor and not on the activity of GlavMorStroy.
- (5) The costs for the acquisition of inventory materials and equipment for internal needs form a very small percentage of the productive costs of an ob'ekt. These costs are strictly administrative in nature and do not include any quasiproduktive function.

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All activities of GlavMorStroy had high operating costs as did the ship repair yards, docks and steamship agencies. In Astrakhan, GlavMorStroy constructed a building for the MGB and when the work was completed the latter refused to make payment for the building. This cost had to be written off and accounted for either as losses or as part of overhead costs on future ob'ekts.

- (b) The Production-Planning Department is also responsible for the organization of financial planning for the construction organizations. In a given instance the expenses for the maintenance of some particular construction organization are planned. This plan includes the salaries of administrative personnel and productive workers (referred to as the labor plan), the costs of fuel and materials, amortization of buildings, equipment and stock, and other miscellaneous expenses. Here it is necessary to note that all of the construction organizations function on a cost accounting basis (khozraschet), i.e. self supporting, without subsidy. If an organization operates at a loss, then, at best, its directors are removed from the work, and most often, they are brought to trial. An example of this occurred in the Construction Directorate at Astrakhan where a hospital was built on the right bank of the Volga River. A man by the name of Golovanov was in charge of the ob'ekt and, like many officials in GlavMorStroy, had a poorly run organization and also indulged in a little graft. As a result he did not meet the estimated costs set up for his ob'ekt. Before an audit was held he arranged for a transfer to Mariupol. However, when the books were checked he was brought to trial in Mariupol.

- (c) The Production-Planning Department is also charged with the organization of production and statistical accounting of activities of the various construction projects. The production accounting is handled in the following way: Periodically, usually monthly, the construction organization together with the client checks upon the progress of the ob'ekt as specified in the established plans and estimates. (The official term is: drawing up a certificate of percentage payment, sostavlenie akta protsentovki). On completion of the check the appropriate certificate is drafted, this serving as a basis for presenting a bill to the client for fulfillment of work. In the same certificate, the construction organization gives an account of its activity to GlavMorStroy. Money received from the client in part goes towards covering expenses incurred in the maintenance of the construction organization (within the limits of the plan). The balance of the payments go to the state budget. Thus the construction activities are completely dependent upon the clients. In the event the work is not completed on time or is of poor quality and unacceptable to the client, no payments are made. The management of the construction organization is deprived of funds necessary for its operation and suffers other unpleasant consequences. The performance of poor work is prevalent throughout GlavMorStroy and frequently there are insufficient funds to pay salaries. The result is that personnel are forced to live on credit from the stores as best they can until their back pay is received. The construction activities should have been liquidated for their poor performance but have not been so treated for two main reasons.

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representatives of the client will sign any certificate for a bribe. Secondly because it is usually important for the client that he receive the ob'ekt as quickly as possible and little attention is paid to the quality of the work.

Maintaining expenditures within the planned limits is the main purpose of statistical accounting of the economic activities of a construction organization. Thus checks are maintained on the costs of maintaining staff organizations, expenditures of fuel and materials, etc.

The accounts are drawn up on special forms approved by the Central Statistical Directorate (TsSU) of Gosplan. These accounts are submitted monthly, quarterly, semi-annually, and annually. The basic accounting form for a contingent of workers and employees and the expenses of the wage fund plan is Form M-20, a report on the utilization of the labor plan.

- (d) A further responsibility of the Production-Planning Department is the redistribution of appropriations in the event of a change in the nature of the activities of a construction organization, or a change in the financial policy of the government.
- (e) The department also prepares documents for inspection by a commission for determining the results of all-union socialist competition among organizations of GlavmorStroy. The awards of the all-union socialist competition are determined by studying the quarterly work results of the activity. The best activity is selected and given an award. These determinations are made from the amount and quality of fulfillment of production tasks by the individual groups as reported by the Production-Planning Departments. The reports as made by the departments contain the following information.
- (1) Production indice. This indicates the planned and actual fulfillment of assigned construction work. The work has not actually been fulfilled for the purposes of the competition until such time as the client has actually accepted the work. These figures are given in rubles and percentages.
 - (2) Productivity of labor is expressed in output per worker in rubles and percentages.
 - (3) The mechanization of work is expressed by means of Form TZ-23 and indicates how much work is done by hand and how much is done by machine.
 - (4) The number of accidents occurring at work, and the total number of days lost as a result.
 - (5) Absenteeism, tardiness and drunkenness are reported in connection with general discipline existing among the workers. A person arriving at work drunk is supposed to be jailed in accordance with a special order of the Supreme Soviet.
 - (6) Expenditure of fuel and power is given in percentages, tons and kilowatt hours for the planned and actual amounts. The power factor for electric power consumption is also given.
 - (7) The cost of work operations.
 - (8) The fulfillment of the operating plan which includes information on the profit-loss of the ob'ekt and the turnover in operating capital.

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